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August 22, 2007

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PUBLIC UTILITIES
COMMISSION

The Honorable Chairman and Members of
the Hawaii Public Utilities Commission
Kekuanaoa Building
465 South King Street, First Floor
Honolulu, Hawaii 96813

Dear Commissioners:

Subject: Docket No. 2006-0386
HECO 2007 Test Year Rate Case
HECO's Information Requests to the Consumer Advocate and DOD

On August 16, 2007, in accordance with the Revised Stipulated Procedural Schedule, as approved by the Commission on May 17, 2007 in Order No. 23442, Hawaiian Electric Company, Inc. ("HECO") filed information requests to the Consumer Advocate and the Department of Defense ("DOD"). The attached list of information requests, HECO/DOD-IR-201 to HECO/DOD-IR-219, supersedes HECO/DOD-IR-201 to HECO/DOD-IR-270 filed on August 16, 2007.

Sincerely,

Dean K. Matsuura
Manager, Regulatory Affairs

Enclosures

cc: Division of Consumer Advocacy
Dr. Khojasteh Davoodi
Randall Y.K. Young, Esq.
Sawvel & Associates, Inc.
Utilitech, Inc.
David Parcell, Technical Associates, Inc.
Ralph Smith, Larkin & Associates
Stephen Hill, Hill Associates
Maurice Brubaker, Brubaker & Associates

Docket No. 2006-0836

Hawaiian Electric Company, Inc.
Information Requests to
Department of Defense ("DOD")

HECO/DOD-IR-201

Ref: DOD T-2, p. 1-2

- a. Please identify each rate case for an investor-owned regulated electric utility, natural gas utility or combination electric and natural gas utility, in which Mr. Hill has testified since January 1, 2002.
- b. Please provide Mr. Hill's recommended return on equity for each rate case identified in part (a).
- c. Please provide the prevailing yield on long-term Treasury bonds at the time Mr. Hill submitted his recommended return on equity for each rate case identified in part (a).

HECO/DOD-IR-202

Ref: DOD T-2, p. 8, footnote 5

Please provide a copy of A.G. Edwards, "Gas Utilities Quarterly Review" dated April 5, 2007, and any edition of A.G. Edwards, "Gas Utilities Quarterly Review" dated subsequent to April 2007.

HECO/DOD-IR-203

Ref: DOD T-2, p. 9, lines 18-24

- a. Please provide a copy of Hyman, Leonard, Senior Consultant, R.J. Rudden Associates, Letters to the Editor, Public Utilities Fortnightly, August 2004, p. 10.
- b. Please provide a copy of the relevant portion of the document cited in footnote 6.

HECO/DOD-IR-204

Ref: DOD T-2, p. 11, lines 1-3

Please provide a copy of, and citation to, the Dimson, Marsh, Staunton article cited on lines 1-3 and the document cited in footnote 9.

HECO/DOD-IR-205

Ref: DOD T-2, p. 11, lines 26-27

Please provide a copy of the chapter from which the excerpt from Stocks for the Long Run, a Guide to Selecting Markets for Long-term Growth (Irwin Professional Publishing, Chicago, IL, 1994, pp.11-15) was taken.

HECO/DOD-IR-206

Ref: DOD T-2, p. 44, lines 4-7

- a. Please provide a copy of the relevant portions of the transcript referred to on lines 4-5, including the full text of what was said in that response.

- b. Please provide the Georgia Commission's final order in the proceeding cited on line 7.
- c. What ROE did the Commission allow in the Georgia rate case referred to on line 7?

HECO/DOD-IR-207

Ref: DOD T-2, p. 62, lines 1-5

- a. Please provide copies of all the research that indicates that there is negative autocorrelation in the historical data.
- b. Is Mr. Hill aware of the Ibbotson (now Morningstar) research regarding the degree of autocorrelation in historical returns provided in the SBBI Valuation Edition, 2007 Yearbook referred to in footnote 8 page 10? If so, what are Ibbotson's conclusions regarding the degree of autocorrelation in historical returns?

HECO/DOD-IR-208

Ref: DOD T-2, p. 59, lines 1-3

Please provide copies of, and citations, to any and all workpapers, articles, or publications (including but not limited to any electronic workpapers, articles, or publications) relied upon by Mr. Hill that substantiate Mr. Hill's statement that "over the past five years, utility stocks have been more volatile than the stocks in the broader

market and the result is a dramatic and unusual increase in the average utility beta.”

HECO/DOD-IR-209

Ref: DOD T-2, p. 12, line 2

Is the reference to a market risk premium of 3.4% - 5.1% based on arithmetic or geometric mean returns? If based on geometric mean returns, please restate these estimates on the basis of arithmetic mean returns.

HECO/DOD-IR-210

Ref: DOD T-2, p. 12, line 24

Is the reference to a market risk premium of 2.6% - 4.3% based on arithmetic or geometric mean returns? If based on geometric mean returns, please restate these estimates on the basis of arithmetic mean returns.

HECO/DOD-IR-211

Ref: DOD T-2, p. 13, line 4

Is the reference to a market risk premium of 2.5% - 4.5% based on arithmetic or geometric mean returns? If based on geometric mean returns, please restate these estimates on the basis of arithmetic mean returns.

HECO/DOD-IR-212

Ref: DOD T-2, p. 13, line 14

Is the reference to a market risk premium of 3.0% - 4.0% based on arithmetic or geometric mean returns? If based on geometric mean returns, please restate these estimates on the basis of arithmetic mean returns.

HECO/DOD-IR-213

Ref: DOD T-2, p. 31, lines 17-18

Please list the companies in your sample group that have nuclear generation assets and the percentage of their generation that is nuclear.

HECO/DOD-IR-214

Ref: DOD T-2, p. 68, lines 7-8

- a. Please describe the “fundamental changes in the nature of the relationship between stock returns and bond returns over the past sixty or seventy years.”
- b. Please describe how such “fundamental changes in the nature of the relationship between stock returns and bond returns over the past sixty or seventy years” have altered the relationship between stock returns and bond returns over the corresponding past sixty or seventy years.

- c. Please provide copies of, and citations, to any and all workpapers, articles, or publications (including but not limited to any electronic workpapers, articles, or publications) relied upon by Mr. Hill that substantiate Mr. Hill's assertion that "there have been fundamental changes in the nature of the relationship between stock returns and bond returns over the past sixty or seventy years."

HECO/DOD-IR-215

Ref: DOD-208, p. 2

Please explain why each of the growth indicators reported was restricted to a 5-year period.

HECO/DOD-IR-216

Ref: DOD T-2, p. 36, lines 16-17

- a. Please provide copies of, and citations, to any and all workpapers, articles, or publications (including but not limited to any electronic workpapers, articles, or publications) that substantiate Mr. Hill's assertion that "that average beta is unusually high for electric utilities and overstates the relative risk of that group."

- b. Could the Value Line betas be unusually low as well and understate the relative risk of that group? Why, or why not?

HECO/DOD-IR-217

Ref: DOD T-2, p. 63, lines 1-7

- a. Were there additional PowerPoint slides presented by Professor Marston at the financial conference? If so, please supply copies of the entire presentation.
- b. Were the research findings offered by Professor Marston at that conference ever published in a publication, journal, textbook subject to peer review? If so, please provide a copy of such publication.
- c. Were there other speakers and other formal presentations at the financial conference on the subject of the market risk premium? If so, please provide copies of these presentations.
- d. Please provide copies of Mr. Hill's presentation at that conference.

HECO/DOD-IR-218

Ref: DOD T-2, p. 74, lines 26-30

Please provide a copy of A. Dugar and S. Nathan, "The Effect of Investment Banking Relationships on Financial Analysts' Earnings

Investment Recommendations,” *Contemporary Accounting Research* 12 (1995), pp. 131-160.

HECO/DOD-IR-219

Ref: DOD T-2, page 19, lines 38-40

The capital structure percentages reflected in DOD T-2, page 19, lines 38-40 do not tie to the Company’s requested capital structure as shown on HECO-1901. Please provide the calculation which results in the capital structure percentages noted in DOD T-2, page 19, lines 38-40.